

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 30 October 1978

CG NIDC 78/253



**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Monday, 30 October 1978

The NID Cable is for the purpose of informing senior US officials.

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ITALY: Pension Reform

25X1 [REDACTED] //The firmness of the political support for Italian Prime Minister Andreotti's government will be tested soon by parliamentary consideration of pension reform--an issue that is closely intertwined with Italy's broader economic and political problems. The proposed changes in the pension system impinge directly on the conflicting interests of the Christian Democratic and Communist parties--the two major components of Andreotti's parliamentary combination--and may provide the first indication of the parties' willingness to make politically difficult choices on sensitive economic issues.

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[REDACTED]

25X1 [REDACTED] //Reform of the pension system is part of the government's proposed three-year plan for curbing the growing public sector deficit and soaring labor costs. The bloated pension system--there are 13 million pensioners compared with a work force of 20 million--accounts for a significant proportion of the deficit, which is expected to hit \$40 billion this year.//

25X1 [REDACTED] //The government has proposed a series of measures designed to reduce total pension payments over a period of five years. It wants, for example, to impose ceilings on the highest pensions, raise the lowest ones, and slow the rate at which all pensions increase automatically with the cost of living.//

25X1 [REDACTED] //Organized labor has already reacted negatively and announced its intention to lobby for changes in the plan. Labor opposition will make it difficult for the left, particularly the Communists, to support the bill in its present form. The Christian Democrats, more than any other party, have used excessive pension benefits as a source of political patronage and power.//

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[redacted] //The Christian Democrats will probably have to limit that practice if they are to get support from the Communist labor leaders in persuading the rank and file to accept lower wages--the other key part of the government's economic plan. The Communists and their labor allies are already experiencing difficulty as they urge wage restraint on the 5.5 million workers--about half of Italy's unionized labor force--negotiating new contracts this fall.//

[redacted]

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USSR-AFGHANISTAN: Political

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[redacted] *The USSR continues to try to shore up the new government in Afghanistan by dispatching additional advisers and making new military aid commitments. The Soviets are still worried about regional reaction to closer Soviet-Afghan ties and are publicly and privately playing down their influence with the Taraki regime.*

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[redacted] Aeroflot has quadrupled its passenger service to Kabul since the coup in April and added two weekly cargo flights,

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[redacted] The increase in flights provides some indication of the magnitude of increased Soviet involvement since April.

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[ ] We do not know how rapidly the two countries are implementing the nearly 40 economic aid agreements that they concluded in the immediate aftermath of the coup are being implemented. Soviet announcements of new economic aid commitments have dropped off sharply in recent months.

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[ ] //All of Afghanistan's neighbors--even those friendly to the USSR--are watching Moscow's growing involvement with concern. Iraq did not recognize the new government until two months after the coup, and India has twice politely warned Moscow about the need to avoid any precipitate action in Afghanistan.//

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[ ] //The Soviets are worried that their recent gains in Afghanistan could be more than offset by losses elsewhere in the region if other countries perceive Afghanistan as little more than a Soviet puppet.

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[ ]

[ ]

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#### UGANDA: Military Activity

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[ ] //The US Embassy in Dar es Salaam doubts the veracity of Ugandan President Amin's latest claims of a Tanzanian invasion, but reports that there has been some military activity in the border area. [ ] the Ugandans shelled the town of Bukoba on two occasions in the last week or so. Foreigners in the general area--including about 15 US citizens--are reportedly not in danger.//

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[ ] Amin's recent claims of Tanzanian invasions are probably an effort to mask his attempts to subdue dissident Ugandan forces in the area. His efforts to picture himself as threatened may also be designed to extract support from some Arab governments.

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25X1 [redacted] Amin--a Muslim--visited Egypt and Saudi Arabia last  
week [redacted]

25X1 [redacted] Radio Kampala reported yesterday that Amin and his senior  
officers have decided that unless the situation improves by this  
evening Ugandan forces would hit targets deep inside Tanzania.

25X1 [redacted] Although we cannot discount the possibility the un-  
predictable Amin will launch a military move against Tanzania,  
he has made numerous unfulfilled threats against Tanzania and  
other neighbors in the past several years. Amin, moreover, prob-  
ably realizes that his ill-trained and ill-disciplined army  
is incapable of sustained action.

25X1 [redacted] In reaction to Amin's charges, Tanzania has moved  
some troops to the border area and taken other steps to increase  
its alert status. [redacted]

#### CAMBODIA: Isolation May Be Ending

25X1 [redacted] Recent international political maneuvering by Cambodia,  
aimed at garnering support vis-a-vis Vietnam and countering  
charges of human rights violations, may foreshadow efforts to  
expand trade and aid contacts with Western nations. Economic  
dealings with the West, however, will remain limited because  
Cambodia has already committed its exports for several years to  
Communist aid donors, notably China.

25X1 [redacted] Gains in agricultural output since 1975 have enabled  
Cambodia to meet domestic needs and to support some exports.  
In late 1976, Cambodia began a search abroad for critical goods  
necessary to rehabilitate the war-torn economy. The Cambodians  
opened a small trade office in Hong Kong and made informal ar-  
rangements to conduct trade with Japan. Earlier this year, Cam-  
bodia formalized a bilateral trade arrangement with Singapore.  
Imports from the West were worth \$18 million in 1977 and will  
be only slightly higher this year.

25X1 [ ] Cambodia remains heavily dependent on economic aid from China. It repays the Chinese for their commodity aid, which is on concessionary terms, with raw materials, particularly natural rubber, timber, and rice. The Cambodians have committed available export supplies of most of these products well into the future. Cambodia's growth in trade with the West will also be constrained by its limited potential for earning hard currency. 25X1 [ ]

#### ZAMBIA: Economic Implications

25X1 [ ] *Zambian President Kaunda's recent decision to open Zambia's southern rail outlet via Rhodesia to South African ports will do little to ease the country's balance-of-payments problems. Foreign exchange constraints have caused food and consumer goods shortages, and Zambians are pressing Kaunda to respond to consumer and business grievances before the election on 12 December.*

25X1 [ ] Zambia's basic economic problems stem from a government spending binge spurred by high copper prices in 1973 and 1974. Copper accounts for 95 percent of Zambia's total exports. Copper prices fell steeply in 1975 and have never recovered. By January of this year, Zambia was forced to implement the most recent of a series of austerity measures in order to obtain assistance from the International Monetary Fund for the country's foreign debt amortization and import arrearage problems.

25X1 [ ] To hew successfully to the IMF guidelines, Zambia must maintain a high volume of copper exports. Transport problems on Zambia's Tanzanian outlet via Dar es Salaam, however, have prevented shipment of an estimated 200,000 tons of refined copper that represent \$300 million in government revenues. With foreign exchange reserves down to about one month's worth of imports and little growth in GNP, Kaunda apparently felt forced to open the rail link in an attempt to alleviate Zambia's economic problems.



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[ ] Copper from mining stockpiles should soon begin moving southward and help to ease Zambia's immediate cash flow problem. The opening of the rail line will also ease Zambia's fertilizer shortage although the domestic maize crop will still fall short of needs.

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[ ] Popular expectations among Zambians that the opening will relieve shortages of consumer goods are likely to prove unfounded. The precarious balance-of-payments situation, Zambia's commitment to meet IMF austerity targets, and heavy political pressures from other frontline African states will stand in the way of an upsurge in consumer goods imports from South Africa or Rhodesia. The lack of foreign exchange and government mismanagement also will continue to cause shortages of consumer goods. Domestic discontent will nevertheless keep pressure on Kaunda to import goods from Rhodesia or South Africa and will make it politically difficult to reclose the line.

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[ ] Zambia's stake in the Tazara railroad and Kaunda's commitment to the Rhodesian conflict should keep traffic through Rhodesia to a minimum, however. If Rhodesian military raids against forces of the Zimbabwe African People's Union in Zambia continue to grow, Kaunda could reclose the line in spite of the economic consequences. [ ]

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#### BRIEFS

##### Romania-USSR

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[ ] //Romanian representatives at the current session of the UN Human Rights Committee have joined other delegations in embarrassing the Soviets by sharply questioning the USSR's record on human rights. The Romanian representative probed the Soviet delegation on how the USSR implements guarantees of civil and political rights and asked about the role of "People's Control" bodies. This is the first known instance of Romanian officials publicly questioning the USSR's record on human rights.

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25X1 The Romanians may possibly hope to deflect criticism of their record on human rights by joining the others criticizing the USSR. [REDACTED]

Iran

25X1 [REDACTED] Government negotiations with striking oil workers have so far been unsuccessful, and the disruption to Iran's oil production and exports has grown. The US Embassy in Tehran reported yesterday that production by Iran's major producer has dropped by as much as 1.4 million barrels per day--some 25 percent of Iranian output. Senior company officials believe the strike will continue to spread.

25X1 [REDACTED] Exports through the Kharg Island tanker loading facility have slowed considerably. Information available to the Embassy indicates that about 3 million barrels per day of crude oil is currently being loaded at the port, which normally handles 4 million to 5 million barrels per day.

25X1 [REDACTED] The oil spot market has reacted sharply to the strike; prices have increased 50 cents a barrel or more above the government selling price for several major crudes. [REDACTED]

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